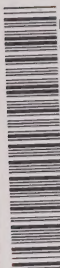


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Canada. Parliament. House of Commons.  
Standing Committee on Labour , Manpower  
and Immigration  
Brief





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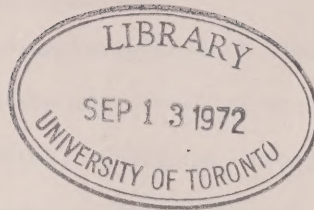
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A BRIEF ON UNEMPLOYMENT INSURANCE  
LEGISLATION FOR SUBMISSION TO THE  
HOUSE OF COMMONS STANDING  
COMMITTEE ON LABOUR, MANPOWER  
AND IMMIGRATION

BY

THE CANADIAN FEDERATION OF  
MAYORS AND MUNICIPALITIES

MAY 14, 1971.





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A BRIEF ON UNEMPLOYMENT INSURANCE LEGISLATION FOR  
SUBMISSION TO THE HOUSE OF COMMONS STANDING  
COMMITTEE ON LABOUR, MANPOWER AND IMMIGRATION

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I      Introduction

The Canadian Federation of Mayors and Municipalities is in agreement with the objectives of the proposed unemployment insurance legislation. It is well recognized and accepted that the problems of economic insecurity are as much a part of our society today as they were at the inception of unemployment insurance in 1940. We therefore have no quarrel with the two basic objectives of the new plan namely coping with the contingency of interruption of earnings for unemployed persons and facilitating their reabsorption into a productive capacity. However, we are compelled to point out the financial implications for local government of the concept of "partial" universality introduced by the new legislation. In light of the discriminatory treatment accorded local government vis-à-vis provincial government we feel it necessary that some comments be made on the implications of this treatment for federal - provincial - municipal relations and in particular for the coordination of the taxing and spending responsibilities of the three levels of government.

II      Financial Impact of the Proposed Legislation on  
Local Authorities

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The introduction of the concept of universality will have a pronounced effect on local government unemployment insurance expenditures. The following table outlines present and proposed coverage as it affects local government employment.

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The University of Chicago is a leading center for research and scholarship in the history of art and architecture. The Department of the History of Arts and Architecture and the Museum of Art and Architecture are dedicated to the study and interpretation of the visual arts and the built environment. The Department's research interests include the history of painting, sculpture, architecture, and the decorative arts. The Museum's collection includes a wide range of works of art and architecture, from ancient to modern. The Department and the Museum are committed to the highest standards of academic excellence and to the advancement of the field of the history of art and architecture.

Unemployment Insurance Coverage

	<u>Included</u>	<u>Excluded</u>
Present Legislation	Casual/seasonal employees and some permanent employees	Teachers, hospital workers, police and the majority of permanent municipal employees
Proposed Legislation	Teachers, hospital workers, police and all employees of municipal government	-----

Under existing legislation municipal government has the right to exclude permanent employees. Since neither the Dominion Bureau of Statistics nor the Unemployment Insurance Commission can provide statistics on the number of municipal employees presently covered by unemployment insurance, we carried out a survey of Canadian municipalities. On the basis of the 106 replies to that questionnaire we estimate that of the 201, 425 persons\* employed by local government as at December 30, 1970, about 45% (91,000) are presently covered by unemployment insurance. We believe that the proportion is as high as it is because many municipalities were not made aware of the original exception clause. This result indicates that a further 110,000 municipal employees must be covered if this legislation is approved.

The concept of partial universality will apply as well to approximately 268,000 Canadian teachers who will for the first time be covered by unemployment insurance. In view of the increasing efforts by various provincial governments to hold the line on education costs by curtailing the rate of increase in grants, it seems fair to

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\* Dominion Bureau of Statistics. Local Government Employment (October-December 1970). This figure excludes employment related to municipal enterprises such as transit systems and telephone companies as well as school boards and municipally owned hospitals.

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DIVISION OF THE PHYSICAL SCIENCES  
DEPARTMENT OF PHYSICS  
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RE: [Illegible]

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us to assume that the employer cost of covering teachers is going to be met in large part by an increase in property taxes. Thus, the proposed legislation implies an increase in coverage of at least 378,000 persons who are employed directly or indirectly by local government. It is a minimum since it relates to the year 1970 and does not provide for a normal annual rate of growth in employment as noted above.

Though we have no accurate statistics on the total expenditure of local government for unemployment insurance coverage, and none are forthcoming from Unemployment Insurance Commission and the Dominion Bureau of Statistics, our questionnaire has again provided us with the basis for estimates of the total cost involved. The following table summarizes our estimates of the financial implications of the proposed legislation for local government.\*

Immediate Financial Impact of Unemployment  
Insurance on Local Government

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(Millions of Dollars)

	<u>Casual/Seasonal and Permanent Employees</u>	<u>Teachers</u>	<u>Total</u>
Estimated cost under present legislation	5.7	-----	5.7
Estimated cost under proposed legislation	13.3	22.7	36.0

The proposed legislation will increase local government expenditures by 600% at least-from \$5.7 million to \$36.0 million. We consider this estimate to be low for two reasons:

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\* Our estimates are an extrapolation of the statistics noted in the table appended to this brief.



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- The figures are based on additional coverage of 378,000 persons. As explained earlier, exclusion of certain municipal employees from the base for initial calculations and the failure to take into account normal growth in following years make this estimate a minimum.
- We have not considered the layoff factor (principle of experience rating) in our cost estimates.

The introduction of the layoff factor will adversely affect local government because of the very nature of important municipal responsibilities. There is a marked seasonal employment pattern associated with such local government activities as parks and recreation and street construction and maintenance. As a result, the principle of experience rating will penalize local government because of the very nature of their responsibilities.

It has been argued that welfare expenditures will fall as unemployment insurance recipients find it less necessary to draw on funds from local welfare offices. In some provinces welfare expenditures are entirely the responsibility of the province. Therefore, in those provinces this legislation could reduce provincial welfare expenditures but at the expense of municipal government. In the remaining provinces where municipalities share part of the burden of welfare expenditures, it is by no means clear that the increased unemployment insurance benefits will lead to a reduction of municipal welfare costs.





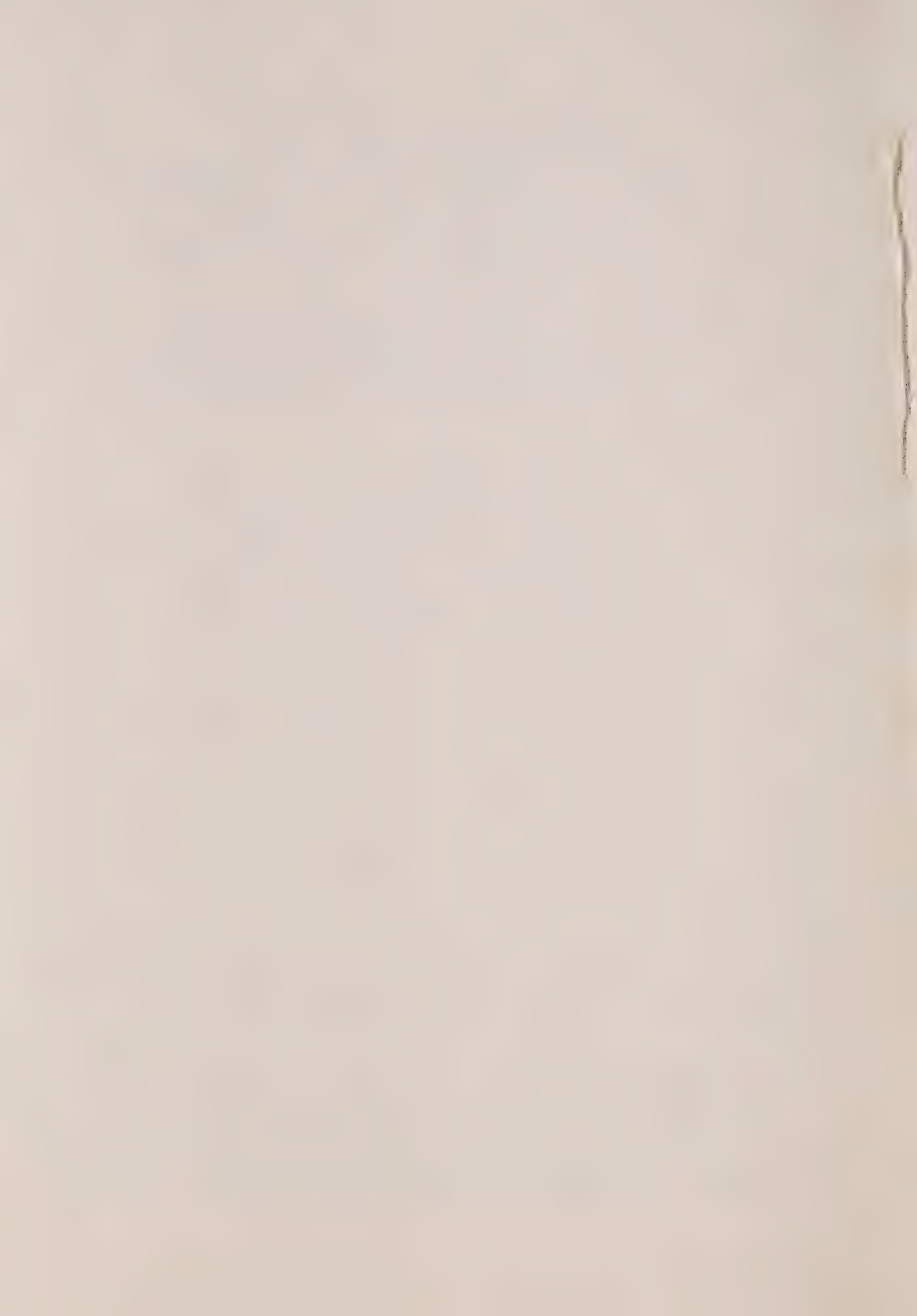
### III Implication for Tri-level Cooperation

The financial implications of the proposed unemployment insurance for local government is clear - an additional burden on the property tax of at least \$36 million. This extra burden is unilaterally imposed at a time when local governments across the country in cooperation with their respective provincial governments are making every effort to minimize, indeed to reduce, the present property tax burden.

The Canadian Federation of Mayors and Municipalities is acutely aware of the need for all levels of government to coordinate their spending and taxing policies. The Canadian Taxpayer is demanding rationality in the setting of government tax policies and accountability for their results. He is no longer satisfied with the argument that one level of government has imposed spending programs which necessitate tax increases at another. Local government is elected to plan and implement programs according to the needs and priorities of local communities. It is unable to carry out its mandate if it continually faces imposed programs from other levels of government which force it to either raise taxes or cutback on the quality and/or level of services provided to the community. If there is to be no coordination of programs and policies then at the very least there must be choice.

### IV Recommendation

Choice has been offered to one level of government. We request that local authorities be given the same option as provincial governments are given to either cover all or none of their employees. Faced with





the choice, it will become the responsibility of each and every local council to decide if it wants to raise taxes and/or cutback on other expenditures. In view of the present uncoordinated state of tax and spending policies the very least that each level of government deserves is some measure of choice in deciding on programs and policies for its jurisdiction.

We specifically recommend that section 3(2) (e) of Bill C-229 be amended to read "employment in Canada under Her Majesty in right of a province or under any municipal authority".



SUMMARY OF REPLIES TO  
UNEMPLOYMENT INSURANCE QUESTIONNAIRE

BY SIZE OF COMMUNITY

	<u>Under 10,000</u>	<u>10,000 - 50,000</u>	<u>Over 50,000</u>	<u>Total</u>
Number of Replies	42	42	22	106
Total Number of Employees	1,582	9,296	53,965	64,843
Number of Employees covered by Unemployment Insurance	1,046	5,163	17,610	23,819
Present Cost of Coverage	\$71,475	\$335,710	\$1,108,241	\$1,515,426









